Forex Trading London
EDUCATING TRADERS

Trade the Right Way – Everyday

By
Sunil Mangwani & Martin Walker

'Money is Neutral, it's what you do with it that counts!'

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Sunil Mangwani is a Physics graduate with a Diploma in Financial Management. He has been trading the forex market & training traders for the last 18 years and has devised proprietary trading strategies based on his vast knowledge and in-depth study of the forex markets. He specializes in trading with Price Action and Fibonacci ratios. He uses the Fibonacci ratios to effectively trade common patterns such as 'The 1-2-3 pattern', 'Divergence', 'Wolfe waves' and 'Harmonic patterns. Sunil has been conducting specialized live workshops/seminars on advanced trading techniques for select group of traders all over the globe, such as Barcelona, London, Singapore, Miami USA, Jakarta, Moscow etc. He has incorporated the concepts of 'Money Management' & the 'Mind' factor, in each of the trading techniques, to prepare an effective & detailed Trade Plan. He specializes in conducting 'Personal Mentorship' programs for traders and preparing 'tailor-made' Trade Plans on individual basis. He is the founder of ***'Fibonacci Forex'*** where he offers special coaching in in the entire trading process & individual mentorship programs. He is currently engaged with *'Online Trading Academy'*, one of the largest trading Education companies based in Irvine CA. USA, as an independent Forex Instructor. His website is www.fibforex123.com & he can be contacted at sunil@fibforex123.com

Martin Walker was a former Commander in the Royal Navy and Chartered Engineer. Martin began learning to trade in 2006 and turned his attention to Forex in 2008, after which he sought further training and mentoring from several high-profile Forex traders. This knowledge is now melded into his own successful trading style, which he now teaches and trades. He combines both Technical and Fundamental Analysis and has a trading toolbox of profitable strategies. Martin was also the head trader of a Private Fund based overseas.

Martin has spoken about various trading related topics at: The World Money Show in the Bear Pit (with Sunil Mangwani); XTB's Trading Master Class events; ActivTrades' Financial Trading Summit and their Strategy Seminar, London Investment Week webinars, Round The Clock Trading Live events and webinars, the London Forex Expo and is a regular speaker at The London Traders Forum. He has also presented Monthly Trading Education webinars for the broker ActivTrades. He founded his website: Forex Trading London, to help new, aspiring and developing traders understand the realities of learning to trade the Foreign Exchange (Forex) and other financial markets and help them progress and develop through coaching and mentoring into consistently profitable traders. Martin is also keen on surfing, sailing and racing yachts. He can be contacted by email at: martin@forextradinglondon.com. You can read his Trading Blog here: Trading Blog

Preface

This is not a technical analysis book, promising a "Super" trading strategy which will make you money. More importantly this book is about the **PROCESS** of trading, which is more crucial than the actual trading strategies. Ironically, most traders are unaware of this and chase one strategy after another. By focusing on the PROCESS of trading and iteratively improving how one delivers and manages it, can be the difference between success & failure.

In our years of trading, coaching and mentoring, we still come across traders who make the same mistakes and end up losing money. Unfortunately, most trading systems/signals which are for sale today do not talk about these facts.

We wanted to address this critical issue and have put together information, which we believe is important in a very simple & easy to read format. You will not find any charts in this book, instead you will find practical and easy to use steps which you can incorporate into your trading process which should give you the required edge to succeed.

We have learnt these facts over many years of trading and today we both use them to trade successfully. We can assure you that if you concentrate on these 'other factors', which are rarely covered - you will get that definite advantage over the crowd.

So grab a cup of coffee and dive into some practical information which we hope you find beneficial to your trading and we wish you all the best in your future trading endeavors.

Sunil Mangwani & Martin Walker

Introduction

Can one really succeed in the Forex markets? We get a lot of questions about this and so let's go into the details of how one can succeed in trading.

Firstly, let's get one thing straight…...

This is not an "overnight get rich" scheme, but rather a business. Most new traders come with false expectations, which is the main reason that they fail.

Like any other business or profession, trading requires a lot of hard work, dedication and planning. It is not only about technique and analysis, as most traders tend to believe, but has to be treated like a business by using all the required factors.

Preparing yourself with the correct information is the key to any successful venture.

As a trader, I'm sure you must have come across these situations quite often.

> Price is moving just fine & the minute you enter the trade, it turns against you.

OR

> You are in a profitable trade & for no reason price turns, converting your profitable trade into a losing trade.

You tend to think that the market Gods are against you & they know exactly when you will enter the trade. But let's face it, the market is always right and it is you who is doing something wrong & are not prepared. The fact is, you are moving on the wrong path.

So, what is the correct path? Well if you truly want to succeed then we suggest you find yourself a successful Trading Coach and Mentor and make yourself accountable to them for your trading results whilst you learn how they trade the financial markets for consistent profits. That aside, let's see if we can help you right now.

There are countless trading systems/techniques available today, all of them claiming to be the "holy grail". If you 'Google' forex trading, it will probably throw up millions of websites & it becomes difficult for the new or struggling trader to separate the good from the bad.

Though there are no easy ways to success, let's try & put across the factors that have worked for us. What we want to do is give you the benefit of our experience and show you the correct path, thus reducing your learning curve.

The 4M's

Let us start with the concept of 4M's –

Money

Mind & Me

Method

If I'd distribute these crucial factors of trading on a scale of 100, then

Money (Risk & Money Management) – will be 50%

Mind & Me (Patience & Discipline to draw up and implement a personal Trade Plan and be mindful and be mentally alert via fitness/diet etc, when trading) - will be 30%.

Method (Technical Analysis and Strategies) - **will be ONLY 20%!**

It is then not surprising that most new traders lose money since they never look at the concepts of "Money" and "Mind/Me". They look only at the "Method" and within this - tend to trade with indicators which are lagging rather than using Price Action and Support and Resistance etc. Hence, they are implementing only 20% of the what is required in the successful trading process.

Could this be why the statistics from Brokers report that around 80% of forex traders lose money in this business? The simple fact remains, that if there is a relatively small percentage of traders making money, then obviously there is a way.

Like every business, if you follow the correct process/procedures, you can succeed and make it into this elite band of successful traders.

By following a proven process, gaining market experience and learning how to manage uncertainty when trading the hard-right edge of the charts, you can evolve into a consistently profitable trader. This whole journey can of course be speeded up with the assistance of the right teacher/coach/mentor.

Having Realistic Expectations

Most new traders have un-realistic expectations about trading, probably due to all the hype marketing that has historically been associated with Forex trading courses and coaching, and is probably one of the primary causes of failure. They have entered the world of trading expecting to be given a Golden Button or ATM and are looking to make huge profits without the required efforts.

They want to double their account in one month & buy a Ferrari at the end of the year. The reality is that Trading is a not a 'Get Rich Overnight' scheme and the profits have to be built up slowly & steadily in a **RISK CONTROLLED** manner.

It's important to **define** what **you want** from this **business**.

Are you looking for a steady income, or an income to supplement your existing revenues? If the latter then suggest you read Martin's Blog Post on Trading Around A Day Job.

(Oh and another piece of advice, don't give up your day job until you have a proven track record of trading profitably with real money over several years, instead learn how to Swing Trade first.)

Are you in this business just because someone told you it's a good opportunity?

Accept the fact, that it will take time for you to become a consistently profitable trader. (How long does it take to become an Engineer, Doctor, Lawyer, Teacher etc? Why should the trading profession be any different?)

Hence it becomes important, that until the time you start making money from trading, you must have an existing income to sustain you.

If you are going to depend on the trading income to pay your bills, if you are not an experienced trader then you will put unnecessary pressure on yourself, which will lead to mistakes. (Trading Psychology (Mind) works against you if you are in desperate need of money)

Keep it realistic and expect realistic returns from trading. For example, look at the returns that the best 'Managed funds', 'Hedge funds' etc manage to make.

These 'funds' or 'institutes have experienced traders, deep pockets & access to the best resources. But do they make 100% in a month?

Certainly not!!! More like 3 to 5%.

You need to give yourself time to gain market experience and emotionally and psychologically mature in order to reach the stage of profitability and beyond.

Once again, like every business, there is time & effort required to reach the 'Break even' stage….and then make profits.

Top Trading Tip:

Define what you want from this business. What is Your 'Why' – your strategic reason(s) to be a trader? Once your trading record is better than Break Even over a reasonable period, then have a realistic goal of achieving a certain profit % per month. This is likely to be in the region of 2 to 5% a month. Improved performance can and should follow, over time.

How Much Time Do You Have?

Time is an important factor in most people's lives.

When learning how to trade forex or any other financial market, you have to commit a certain amount of time.

Ask yourself, how much time can you dedicate to:

- The 'Learning to Trade' process (each day/week/month)?
- Analyzing your chosen financial market(s) when seeking potential trades?
- Managing your open trades?

What other distractions and responsibilities do you have in your life? Let's face it, we all start out with good intentions in doing something like a course, to learn something new, but most of us give up early on because 'LIFE' gets in the way!

You may have to do a bit of rebalancing to fit everything in and even give something up, or let go of negative people. The more focused you are & are able to give sufficient time, the more successful you should be as a trader. It is the tenacious ones who get there. Conversely, if you have too much time, it is easy to waste it staring at your charts all day long, like watching paint dry!

It's all about getting the balance right and using the time effectively & efficiently.

Top Trading Tip:

- Dedicate sufficient time to the 'Learning to Trade' process each week if you want to progress up the Learning Curve. However, if you find yourself just flicking through the charts and timeframes, looking at the same things over and over again in a day because nothing is happening in the markets, then STOP and go find something else to do, be it seeking out new trading knowledge or a job that needs doing or go see some friends or spend some time with family.

Trading A Demo Account

The advantage with forex trading is that most brokers offer a free demo account with live data.

It is an excellent way to practice the techniques and understand the orders etc, before committing your capital.

Ideally, you should familiarize yourself with the market conditions, your chosen strategies, your risk and money management etc, using a demo account until you have a proven track record of consistent profitability.

There seems little or no point in trying to trade Forex in a Live Account until you have demonstrated that your chosen strategy actually works & that you are disciplined enough to make consistent profits in a Demo Account first.

There is a vast difference between trading a Demo and a Live Account mainly around controlling ones' emotions of Fear and Greed. But you should not enter the Live Markets if you have not yet established whether or not you have a definitive edge.

Once you have demonstrated a consistently profitable track record in a Demo account, then open a small live account which allows you to trade micro-lots or cents or pence a pip and trade on it till your account is in consistent profit.

The idea of this small live account is not so much to make money, but to implement the concepts in the Live markets. To experience and face the emotions of Fear & Greed and understand how to deal with losses. You must feel the pinch of losing money, which cannot happen with a demo account. In a demo account you can risk 50% of your capital on one trade, but you would not do that when your hard-earned money is on the line.

We know a lot of traders who have made huge amounts on demo accounts, but could not manage to make even a $100 profit on a real account. This becomes a crucial step and will then give you the confidence to trade a larger account.

Top Trading Tip:

- Trade a demo account to understand the trading platform, order procedures etc.
- Practice your trading strategy on the demo account until you are confident.
- Open a live account with a small amount of capital. (More on this in the next section). Don't expect to make money from this account & only trade on micro lots, but get the feel of live trading.
- Only then as you develop and when you have achieved consistent profitability in this account, open your actual trading account with the required capital. It is better to slowly scale up your trading capital in your Live account to allow yourself to grow mentally and emotionally as at trader.

Are You Sufficiently Capitalized?

One of the most basic question is 'How much money do I need to start trading with?'

This is one of the most crucial aspects of trading and often taken lightly by most traders. Let me (Sunil) be very direct and straight forward about this and say that:

'UNDERCAPITILISATION IS A CRIME!'

If you are not sufficiently capitalized, then chances are that you would end up losing the small capital you started with. Are you a Trading Criminal?

As we noted initially, Risk and Money Management is the most crucial part of trading & quite simply the rules of money management do not work on smaller accounts.

You probably have come across brokers enticing you to open an account with as little as $100…and make money 24 hours from the market, from the most liquid market in the world…blah..blah.

The brokers would offer high leverage to get more clients…only to get more brokerage. They could not care if you won or lost a trade, times have now changed for the better, at least in the UK, for the most part. With the introduction of the new ESMA Rules the limit on Leverage has been lowered significantly and many brokers are starting to offer more in the way of trading education, in order to achieve some longevity in their clients trading with them.

So, let us note down just one simple rule of Money Management….and it is probably the most important one.

Never risk more than 2-3% of your entire trading capital at any given time, which includes ALL your open trades, whilst you are learning.

We only Risk 1% on every trade and a maximum of 3% in open trades not yet at Break Even or Better and more often than not it is less than 3%.

Now this straightaway translates into a low leverage, thus fitting into the rules of Money Management. So, if you follow this rule you should easily be able to trade the new Lower Leverage broker accounts in the UK. If you risk too much then you will not survive the turbulent markets to trade another day & will eventually blow up your account. A little-known fact is if you lose 50% of your original account, you have to double your account to get back to where you started or make 100%!

Coming back to the crucial question: 'How much money do I need to start trading with?'

If you plan to start trading with a capital of $1000 or less, then you should only trade micro-lots or 10cents a pip for a USD quoted Forex pair.

If you plan to start trading with a capital of $10,000, then you will be able to trade with mini-lots (and micro-lots) or $1 a pip for a USD quoted Forex pair.

Let us consider the simple mathematics behind this:

Let's assume that you are risking 1% on any trade; that your average stop loss is about 33 pips; and you take each trade with 3 positions.

For a $1000 account, trading micro-lots, we have 3 positions (3 x 33 pips (stop) x 10cents or $0.1 = $9.90

1% of $1000 = $10 so you have a few pips of safety margin in your stops. This fits into the money management rule we described.

We can thus conclude that if we have $1000 as our initial capital, we can only trade with micro lots.

Provided, of course, that you want to follow the rules of money management. I have come across traders who throw caution to the wind & expose up to 25% of their account on a single trade. It will then take only 4 losing trades to blow up the entire account. Believe us when we say that getting 4 losing trades in a row, is nothing out of the ordinary in trading!

So, if you want to take a larger number of trades or take trades on higher time frames with a larger stop loss, you should trade a $10,000 funded account, where your average position size would be (0.1 of a lot) or ($1 a pip) ….and so on, but ONLY when you have proved that you are ready to do so!

Top Trading Tip:

Don't start trading on a Live account until you have sufficient capital to be able to manage your risk properly and a proven track record in a Demo account. Start trading with $1000 using micro-lots to get used to trading Real money. Accept that losses are a part of trading & you must always protect your capital. Ensure you have sufficient capital in your account to be able to manage your risk properly. Thus, you can survive to trade another day. Try and minimize your risk to around 1% for each trade.

The Minimum capital required to start trading:

- **Micro-Lots: $1,000**
- **Mini-Lots: $10,000**
- **DO NOT trade using Standard Lots ($10 a pip), until you are considered a Forex Guru! So be very careful when entering your chosen position size.**

The Best Times To Trade Forex

Although the Forex market is described as a 24hour market when open Sunday (5pm EST 10pm UK Time) through to Friday (5pm EST 10pm UK Time), there are times when there is greater movement or volatility & times when the market tends to stagnate.

As a trader, particularly for Day and Intra-day and scalping, the periods of largest movement will offer the greatest potential for achieving profits and should be the time when such a trader should be trading. However, for Swing Traders (Those holding open positions for Days and Weeks) it matters less.

The 3 main geographical areas which are open for trading at differing times are:

Australasia and Asia
Europe
America

It is when these areas overlap in their trading times that we tend to get the greatest movement in the Forex markets, since we have traders from different time zones trading at the same time.

When translated into GMT we have the following **overlaps:**

Asia/Europe: 7AM – 9AM GMT (2AM-4AM EST)

Europe/America: 1PM – 5PM GMT (8AM-12PM EST)

Consequently, these are the times when Day or Intra-Day traders may wish to trade and focus their efforts.

Additionally, different currency pairs have different average daily ranges across the different trading areas and time zones. It is beneficial for the trader to know which pairs are statistically likely to have a greater range.

Top Trading Tip:

> If you are a Day or Intra-Day Trader and want to find a greater number of potential trade opportunities then you should focus your trading on the hours in the day (and the relevant currency pairs) when the markets tend to make their biggest moves, i.e. when the major market overlaps occur, as these can be the **Best Times to Trade Forex**. However, these are also the times when you can get whipsawed out of a trade due to volatility so you need to know what you are doing. We recommend when learning to trade, that you start off by Swing Trading. When Swing Trading, often it is best to wait for an hour after the UK and US markets open, before entering a trade on the 4hr time frame. Sometimes Mondays can also be tricky days and unless a brilliant setup exists then best avoided.

Support & Resistance

One of the most basic things a trader needs to learn initially is how to determine & use Support & Resistance levels to plan and execute their trades.

When we want to cross a road safely, we look to our left and right (depending on what side of the road traffic drives on in our respective countries.) When we plan and execute trades we need to know where key levels of support and resistance are to make sure we don't get **run over** by the market.

We are trading the Right Hand Edge of the charts (we call it the Hard Right Edge) & can never be 100% sure what price will do next. Hence before we look ahead (right) for expected profits, we must always **LOOK LEFT** on our charts. This helps us identify significant levels of horizontal support and resistance & trend lines which could impact our intended trade.

Once that is done and marked up on our charts, then and only then, should we look 'Right' as we now have a more informed view of likely price action.

What is Support & Resistance?

Horizontal Support & Resistance occur because of Order Flow.

Traders (on their own or on a company's behalf) place orders into the market where they think price will turn & where they wish to take profits/ get out of a losing trade. Basically, they place orders at a price where they wish to exchange one currency for another.

Horizontal Support occurs where there are more Buy orders than Sell orders so the Bulls win the day; this is also known in the trading world as DEMAND.

Horizontal Resistance occurs where there are more Sell orders than Buy orders and the Bears win the day; this is also known in the trading world as SUPPLY.

Supply and Demand are more Zones then discrete horizontal levels.

Support and Resistance on a chart is nothing more than a visual representation in price and time of Buy (Demand) and Sell (Supply) order flow, which is real people setting & executing Buy and Sell orders.

Top Trading Tip:

> When looking at your charts think about Supply and Demand & Order Flow and where orders are likely to be placed, consider the use of key trend lines alongside horizontal Support & Resistance as this would help with your trade planning and when and when not to pull the trigger.

The Top Down Approach

To become a proficient Forex Trader, it is essential to be able to plan and takes trades within the context of higher time frames.

As Martin says "One of my biggest breakthroughs whilst learning how to trade Forex was undertaking regular and rigorous Top Down and Bottom Up analysis, so that I fully understood the context of the market I was about to trade in."

Ideally you should scan through each currency pair that you trade and look at the Monthly, Weekly and Daily charts.

Analyze and note what you see, like key Fibonacci Levels, Trend Lines or Support / Resistance levels.

Then drilling down, at the start of the day, look at the Daily, 4hr, 1hr and 15 min when planning the trades.

This will give you a good feel where a currency's price might go to & where any counter trend moves might retrace to. It also means you get a feel for the trend or not, on different time frames.

Once your Multi-Time Frame Analysis (MTFA) is completed, you can then trade your chosen strategies on whatever time frame they occur, know whether they are trend or counter trend trades & manage them within the context of the larger picture.

Top Trading Tip:

> Use Top Down / Bottom Up or MTFA chart analysis and understand the context within which to plan your trades and also your expectations of likely price movement. Before taking any trade look up at least one, if not two-time frames & down one-time frame for any clues or pooh traps! If you are going to be trading Intra-Day then also mark up yesterday's high and low as often one or both can be taken out.

Using Indicators

All price derived indicators are lagging and therefore one must use indicators only as a secondary confirmation.

While this does not diminish the importance of the indicators, one must use the right indicator for the appropriate situation.

If you look at the internal calculation of nearly all indicators, you will see that they depend entirely on historic and current price. This means that price has to move first, which subsequently causes the indicator to move

For example, oscillators are ineffective when price is in a trend & work best when the markets are range bound. Any indicator banded between a value of 0 to 100, like the Moving Average Convergence Divergence (MACD), the Relative Strength Index (RSI), the Commodity Channel Index (CCI), the Slow Stochastic etc, is classified as an **Oscillator**.) They are all providing you with roughly the same information. Most traders are not aware of this simple fact, and we have seen traders use the MACD & the RSI & the Stochastic & the CCI…all together! This is insane, as all of them are giving the same lagging information.

Secondly, most traders lose money when they use the indicators to determine their trading parameters, like entry, exit, stops etc.

Indicators are lagging and if you use them as your entry criteria, like entering a trade when the stochastic lines cross over or when 2 different moving averages cross, you are in for trouble. You will get into the trade when most of the move has already finished and when the Supply/Demand is running out. Similarly, you should not use them to determine the stop level or exits.

However, if we use Price Action in conjunction with certain indicators, then we can get a Leading Indication of an imminent change of direction in price! This is the case when Divergence occurs and can be taken advantage of by the knowledgeable and experienced trader.

Top Trading Tip:

> All indicators are lagging & price is the ultimate indicator. Use the indicators for appropriate situations. Such as the oscillators like MACD or stochastic are ideal to identify a divergence. Never use a lagging price derived indicator to set the trading parameters of entry, exit & stops etc.

NOTE:
With that advent of Artificial Intelligence and better coding tools etc, there are more and more trading 'Indicators' or 'Bots' coming into the market. Algo trading is big business in the large financial institutions that speculate in the Forex markets. That said, using the principles in this article, it is still a tradeable market place and profits can be made.

Trade Planning

An effective 'Trade Plan' is often the thin line between success & failure. A trader has a better chance of succeeding if he/she has a precise trade plan which includes the concept of 4M's – Money, Mind (& Me) and Method.

One of the primary advantages of having pre-determined and a precise Trade Plan is that takes away the emotions from the trading process. Human emotions play a huge part in trading and can be a major disadvantage. With a Trade Plan, a trader will not 'second-guess' the motives and will not let 'fear & greed' cloud the trade. Creating structure and order around trading in an uncertain market helps your trading mindset greatly.

A Trade Plan has to be very precise (like a pilot's checklist) and it should clearly define the entry, stop and expected targets of the trade. This enables the trader to calculate the Risk-to-Reward ratio and the 'Position Sizing'. It should also include points such as, where should one take part profits, how one would manage the trade if it runs successfully & what should one do if price goes against you. It is crucial that all these points are clearly defined **BEFORE** one enters a trade.

One should also prepare a personal **Trading Plan**. Anyone who is serious about learning to trade and improve as a trader must have a personal Trading Plan. In outline the best Trading Plans will cover the following:

WHY you trade (Your Strategic Vision of where you want to be in Life and why you trade – NO it is NOT 'To Make Money'!).
WHAT type of trader are you and what do you trade? (Forex/Commodities/Indices - Spot/Futures/Spread betting etc).
WHEN you trade the Forex markets. (Days/Times/Which Sessions)
HOW you trade the Forex markets - the strategies you employ and your style of analysis. This section can be backed with individual detailed Annexes for each strategy employed.
RISK & Money Management details that you employ (Trade % Risk, Max % Risk, Type of Money Management, Max Acceptable Drawdown and what to do then!)
REWARD to yourself for doing well – e.g.: Curry/Film/Dinner Out/Holiday/Salary as a % of monthly profits.
PSYCHOLOGY – your psychological trading profile and what you must do to improve on that. Are you a Fear or Greed based trader?
DEVELOPMENT - your personal trading development goals.

That's it in a nutshell, but it should be a living and useful document which you read regularly and keep updated as you develop as a trader.

Top Trading Tip:

Spend some quality time researching and deciding what you require in your own **Trading Plan.** The Trading Plan is a personal thing and should be meaningful to you & help you become a more focused and better trader.

The 6Ps

Over time we have learnt that the best trades often occur as a consequence of the effort & attention to detail that we put into the planning stage which is *prior to pulling the trigger and entering a trade.*

A great acronym for this, which can be applied to life in general, is the 6Ps or PPPPPP:

Prior Planning & Preparation Prevents Poor Performance!

Therefore, before you make that impulsive trade and jump into the market, stop and think about the 6Ps. It may just prevent you from blowing up or seriously damaging your account.

Top Trading Tip:

Before taking any trade, ask yourself:

- Have you done your MTFA?
- What have you noted/highlighted?
    - LOOK LEFT for your key Supply and Demand zones/levels
    - Key Trend Lines
    - Key Fib Levels
    - Key Moving Averages (Hint: 200 sma!)
    - If Intra-Day then LOOK LEFT and mark up yesterday's High and Low and project those levels forward.
- Have you planned your potential trade out in full?
    - Reason
    - Context
    - Entry Level & Confirmation Required
    - Profit Target(s) Level(s)
    - Check the Risk : Reward Ratio (1 : 2 or better when learning)
    - When to Move to Break Even
    - Number of Positions and Lot size
    - etc

Are you following your (Back Tested) strategy to the letter? Do you understand the risk you are taking and the potential reward you may gain?

DO THE PREP AND GET THE PAYBACK!

Remember the 6Ps!

Patience & Discipline

Trading requires the 'Patience of a Saint & the Discipline of a Soldier'

Sunil Mangwani

A common problem encountered by novice retail traders is their overwhelming desire to trade, no matter what the market is doing. This is normally caused by either two things:

- I'm available to trade today so I am going to trade! (No matter what the market conditions may be?!)
- Fear of Missing Out (FOMO)

They switch on their laptop or PC check their charts and expect to get into a trade and make some money during the time they have allotted. Many end up 'Forcing' a trade and this approach can lead to losses. Or they are continually being seduced by Green or Red candlesticks moving up and down in from of them and FOMO kicks in. It is important to note that trading the lower timeframes such as the 1m, 5m and even 15m charts can be addictive. Whether one wins or loses, you still get an Adrenalin rush.

Don't Force It - Patience Pays

Waiting for a quality setup and entry signal pays greater dividends over time. Yes, you will be in fewer trades, but that doesn't mean less profits. In fact, the opposite is nearer to the truth as 'Less can mean more'.

Waiting for a quality setup may mean you miss what seems like a potentially good trade but it also means you don't get sucked into a losing trade. When you take that trade, make sure it is a quality setup based upon one of your chosen, tested and proven strategies and prior planning and preparation.

Endless entries into poor trades will eventually cause one's trading account to be quickly depleted. So, try and think of yourself as a soldier/sniper waiting in ambush or a wild animal waiting for its prey to come by; then at the right moment pounce and execute the trade. For both these examples, failing to pick the right moment could mean the difference between life and death, so why not try trading as if your life depended upon it.

Top Trading Tip:

> It is better to be patient and wait for a quality trade set up to occur before taking a trade, than being impatient and trying to force a trade. Once the setup has occurred, have the Discipline to follow your trade plan.
> Being patient and disciplined in your trading will reap dividends over time. Remember 'Patience of a Saint and the Discipline of a Soldier' and lie in wait for your foe!

Focus On The Process!

A previous article from Martin Walker's Blog:

'Whilst chatting online last week to another student who had recently completed a **personal mentorship program** with Sunil Mangwani, I asked how their trading was going?

The answer came back, rather melancholy, that 'I've only made XY% profit this year'.

To which my reply was - great, that's a neat profit!'

The ensuing online chat was then along the lines that constant steady profits no matter how big or small, when compounded grows ones' trading account nicely over time one just needs to exercise patience and discipline.

When starting out in the world of Forex, if you can consistently make profits, whatever their size, then you are moving in the right direction. So, if you are learning how to trade Forex, then set your overall expected profit targets at a realistic level. 1st Goal: Break Even account balance over say 6 months. 2nd Goal: Consistent Profitability over say 6 months to 1 year of say 1 or 2% on average a month.

You can set a higher bench mark for yourself subsequently, when over time these will be exceeded. The ironic thing is that the more pressure you put on yourself to make money, the less likely you will trade well. This is where trading psychology comes in. If you are desperate to make money, that will work against you in trading the financial markets.

It is far better to focus completely on the **PROCESS** of trading than on the expected outcomes. The outcomes will be positive if you can get the process right and down to a fine art. See this Blog Post – 'Focus on The Process'

Top Trading Tip:

Focus on the **process** of trading such as:

- Keeping a Trading Journal – this will help you improve.
- Implementing your chosen strategy to perfection.
- Good trade planning and execution.
- Using Robust Risk and Money Management.

Then the profits should take care of themselves.

Know When To Stop.

Knowing when to stop trading is just as important as knowing when to trade.

If you are constantly losing money trading Forex.
If your Equity Curve is sloping down rather than up.
If your Profit factor is less than 1.0

Then **STOP** trading in a Live account.

Take a break, analyze why you are having a succession of losing trades, correct any mistakes, seek help, but please don't go on losing money! There is no rush, the markets will be here tomorrow, next week, next month, next year etc!

If you are struggling to find a trade that meets your chosen strategy's criteria then don't force it, STOP and go and do something else until the market conditions have changed.

If you have had great week's trading & have met or surpassed your targets then STOP, take a break and go do something else.

Big profits tend to come from large market moves, which are often followed by a period of consolidation or sideways movement or a significant correction which can be frustrating to try and trade.

From personal experience, we have seen that when you've done really well, you tend to give profits back to the market. Hence, it's better to take a break and consolidate your position and come back refreshed after a few days.

If ever in doubt about a potential trade then STOP and STAY OUT of the market, as a No Trade (or being flat) is a perfectly valid and often a wise position to take. If in a losing trade that doesn't feel right then consider closing out, or just accept that 1% loss, because of course you will have stop losses in place, won't you?!

Top Trading Tip:

If in doubt about a trade then STOP & THINK.
If still in doubt STAY OUT or CLOSE OUT!
If it doesn't fit your criteria then NO TRADE (which is a GOOD TRADE).

REMEMBER:

STOP & THINK!

IF IN DOUBT STAY OUT

Note From The Authors

We do hope this helps you, the way it has helped the countless number of traders who have followed these simple rules.

To be very honest, these are the principles by which we trade our accounts.

We try our utmost to practice what we preach, and we are only sharing these

principles because they really work.

Our workshops, webinars and seminars cover these topics in depth along with profitable strategies and many other aspects of trading and they have benefitted all the participants.

You can read Martin's Trading Blog at:

www.ForexTradingLondon.com/blog

You can get a Free introductory Forex course at:

Forex Trading Success Formula

Thank you for reading this far and we wish you safe and profitable trading. Should you need help in your development as a trader, be that education, coaching or one to one personal mentorship then please visit our websites or contact us personally, as below, for more information.

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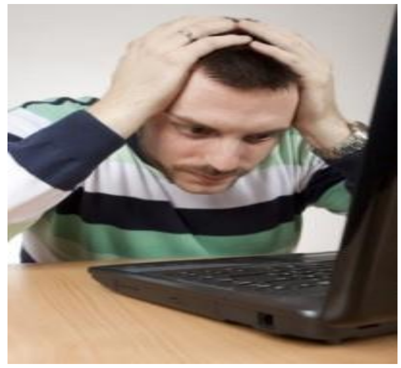
THE LAST WORD

Please DO NOT give up your day job until you have a proven and consistent track record of profitable Live trading.

Please DO NOT take impulsive trades because then you will be doing this

and this….



and you will end up doing this:

Now go and be Patient and Disciplined and implement the 6Ps

Disclaimer:
Any information provided in this document is purely for educational purposes only. Trading foreign exchange on margin carries a high level of risk and may not be suitable for all investors. The degree of leverage can work against you as well as for you. Before deciding to trade foreign exchange, you should carefully consider your investment objectives, level of experience and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that you cannot afford to lose. You should be aware of all the risks associated with foreign exchange trading and seek advice from an independent financial advisor if you have any doubts. Any information contained in this document is provided as educational material and does not constitute investment advice. The authors will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information. **We highly recommend that all novice Forex Traders begin by trading in a Demo Account until they have a proven track record of 'paper' profitability before trading in the live Forex market.**

The End